

PROPERTY ASSESSMENT APPEAL BOARD
FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

PAAB Docket No. 2015-061-00584R

Parcel No. 071012400270000

James Pearson,
Appellant,

v.

Madison County Board of Review,
Appellee.

Introduction

This appeal came on for hearing before the Property Assessment Appeal Board (PAAB) on January 14, 2016. James Pearson was self-represented. Madison County Attorney Matt Schultz represented the Board of Review.

Pearson is the owner of a residential property located 1332 Pointe Court, Cumming. The subject property is custom built, two-story home, built in 2014. It has 3120 square feet of living area; a full, walkout basement with 1311 square-feet of living-quarter quality finish; two patios; an open porch; a covered deck; and an attached three-car garage. The site is 4.990 acres.

The property's January 1, 2015, assessment was \$879,200, allocated as \$97,000 in land value and \$782,200 in dwelling value; after an adjustment for a geo-thermal exemption the total taxable value was \$860,600. Pearson protested to the Board of Review claiming the assessment is not equitable as compared with assessments of other like property under Iowa Code section 441.37(1)(a)(1)(a). The Board of Review reduced the assessed value to \$808,900.

Pearson then appealed to PAAB asserting the correct assessment is \$642,000.

Findings of Fact

The Pearsons custom-built their home in 2014, and the first full assessment on the property was in January 2015. Pearson believes that, based on a host of properties in his development and a nearby development, his property is inequitably assessed. He asserts that because his assessment is such an outlier, it should be reduced to a value in-line with other properties in the development.

Pearson explained his reasons for contending the two developments are comparable. He noted the subject property's subdivision, Polo Pointe, has covenants requiring minimum dwelling floor areas for different style properties, which he asserts demonstrates that all of the properties in the development are of similar caliber. In his opinion, Walnut Cove is a competing development to the subject development. He outlined the similarities between the two developments. (Ex. 1). Pearson noted the total finished area includes above-grade and below-grade finish. He believes twenty-three of the properties in Walnut Cove are comparable to his.

	Polo Pointe	Walnut Cove
Number of Comparable Dwellings	20	23
Year Built	1998 to 2014	1995 to 2014
Style of Properties	1- and 2-Story	1- and 2-Story
Total Finished Area (SF)	2199 to 5190	1733 to 5071

Pearson provided a series of graphs illustrating calculations relating to assessed value per-square-foot for properties located in Polo Point and Walnut Cove. (Ex. 1). We do not find it necessary to recite the evidence or testimony because comparing properties on a total finished area per-square-foot is not typical valuation methodology. Moreover, simply comparing assessments is not sufficient evidence to support an equity claim.

Pearson also provided charts of the forty-three properties in Polo Pointe and Walnut Cove including basic information such as address, site size, style, year built, gross living area, basement finish, and 2015 assessed values. (Ex. 2). Many of the properties are one-story homes compared to the subject's two-story design, which we do not find to be similar to the subject.

The Board of Review expanded on Pearson's comparable properties list. (Ex. N). The Board of Review's spreadsheet provides more detail about Pearson's comparable properties, including the grade, total assessed value, and sale prices/sale dates if applicable. (Ex. N.) The following chart is a summary of the seventeen two-story properties located in the Polo Pointe and Walnut Cove.

	Site Size	Year Built	Gross Living Area (GLA)	Basement Finish	Grade	2015 Assessed Value
Subject	4.99	2014	3120	1311	E	\$808,900
3332 135th St	3.42	2004	4583	0	1+05	\$568,700
3354 135th St	4.14	2003	2870	0	2+00	\$410,200
1339 Pointe Ct	6.35	2012	3521	0	2+05	\$540,500
1341 Pointe Ct	3.12	2013	2812	2100	1+05	\$691,200
1361 Pointe Ct	4.9	2004	3079	0	2+05	\$469,300
1364 Polo Ct	3.06	2000	2815	0	2-05	\$407,700
1371 Polo Ct	3.38	2000	3876	1300	2+10	\$572,400
3300 144th Ct	3.89	2007	3446	1625	1-10	\$521,900
3312 144th Ct	4.97	2004	3118	1100	2+00	\$391,400
3317 144th Ct	3.87	2002	2372	0	2-10	\$313,200
3321 144th Ct	3.66	2007	2882	0	3+05	\$336,300
3323 144th Ct	3.12	2012	2543	425	2-10	\$403,200
3328 144th Ct	3.99	2014	3440	0	2-05	\$481,400
3331 144th Ct	3.05	2012	2860	956	2-10	\$469,300
1416 Walnut Ln	4.76	2005	3439	1450	2+05	\$449,200
1440 Walnut Ln	9.5	1995	1860	0	3-10	\$257,800
1419 Willow Ct	3.41	2001	1686	0	2-10	\$297,400

Ten of the properties have no basement finish and all have lower grades than the subject. For these reasons, we do not find them to be sufficiently similar for an equity analysis.

Two properties, located at 3332 135th Street and 1341 Pointe Court, have a 1+05 grade compared to the subject's E grade, which are the most similarly graded properties. The property located at 3332 135th Street is ten years older than the subject; has roughly 1500 square feet more gross living area (GLA); and no basement

finish. For these reasons, we do not find it sufficiently similar to the subject property for an equity comparison.

The property located at 1341 Pointe Court has a more comparable year built and is similar in size and basement finish. It appears to be a reasonable comparable to the subject property. Its assessed value per-square-foot is \$245.80, compared to the subject's assessed value per-square-foot of \$259.26. Although the subject's assessed value per-square-foot is slightly higher, it also has a larger site, greater GLA, and higher grade, which would affect its assessed value compared to this property. Regardless, this property has not recently sold, and Pearson did not submit an opinion of market value for the property; therefore, an assessment/sale ratio analysis is unable to be developed. Moreover, more than one comparable property is required to support an equity claim.

Pearson also referenced the sale of a property at 3398 130th Street, which was included as a comparable in an appraisal completed on his property. (Ex. F). While he submitted it as an equity comparable, we decline to address it because it is agriculturally classified compared to the subject's residential classification. Equity comparables must have the same classification.

Madison County Assessor Joni Hopkins testified for the Board of Review. She explained there are seven grades in the grading system.

Grade	Quality
E	Executive
1	Superior
2	High
3	Good
4	Average
5	Below Average
6	Sub-Standard

Hopkins explained the subject's executive grade reflects exceptional quality, typically including custom built-ins and higher quality design techniques. She described a 1-grade property as a superior quality home; but it is still has lower quality than an E grade. Hopkins also explained that map factors and grade multipliers are applied in the

cost analysis. She notes the subject has a grade multiplier of 2.330 based on its E-grade, which would affect the assessed value. (Ex. E).

Pearson was critical of the determination of grades because it is his belief, based on conversations with some of his neighbors, that the assessor's office had not actually inspected all of the properties. In Pearson's opinion, his property is not superior to any of the other properties in Polo Pointe, which he considers are similar quality to his. Hopkins confirmed with PAAB that the Assessor's Office inspected all the properties in the county at some point, and that the grading typically occurs when the home is built.

Deputy Assessor Ryan Hobart testified that he physically inspected the subject property after construction was completed. He explained he observed that the main level had a very open floor plan with lots of complex construction materials and construction techniques. In his opinion, the roof is extensively gabled and there are no other properties with similar complexity in Madison County. (Ex. E-F). The property was graded as an E+10; however, the Board of Review reduced this to an E grade, resulting in the value reduction to the 2015 assessment. (Ex. E).

Hopkins also noted that of all of the properties Pearson submitted, only five, including the subject, recently sold. The sales are summarized in the following chart.

	Site Size	Style	Year Built	Gross Living Area (GLA)	Basement Finish	Grade	Total 2015 AV	Sale Date	Sale Price
Subject	4.99	2 Sty	2014	3120	1311	E	\$808,900	\$915,000	Sep-14
1378 Polo Ct	8.49	1 Sty	1999	2558	1657	2+05	\$513,800	\$500,000	Jul-13
3320 144th Ct	5.60	1 Sty	2011	2446	0	2+00	\$404,200	\$461,000	Nov-14
1416 Walnut	4.76	2 Sty	2005	3439	1450	2+05	\$449,200	\$432,000	Mar-14
1424 Willow Ct	2.71	1 Sty	2001	1478	1200	3+10	\$323,800	\$351,000	Oct-15

We note only one property is a two-story design like the subject, and all have inferior grades. These differences render the properties incomparable to the subject. Regardless, the three 2014 sales, which include the subject, indicate an assessment/sales ratio range of 0.88 to 1.04. The subject sets the lower end of this range which does not suggest it is inequitably assessed.

The Board also submitted an appraisal of the subject property by Duane Hueneker, Williams Appraisals, LLC, Altoona, Iowa. (Ex. F). Hueneker determined a market value opinion for the subject property, as of August 2014, of \$915,000. Because there is not a market claim before PAAB we do not find it necessary to analyze the appraisal.

Conclusions of Law

PAAB has jurisdiction of this matter under Iowa Code sections 421.1A and 441.37A (2015). PAAB is an agency and the provisions of the Administrative Procedure Act apply to it. Iowa Code § 17A.2(1). This appeal is a contested case.

§ 441.37A(1)(b). PAAB considers only those grounds presented to or considered by the Board of Review, but determines anew all questions arising before the Board of Review related to the liability of the property to assessment or the assessed amount.

§§ 441.37A(1)(a-b). New or additional evidence may be introduced, and PAAB considers the record as a whole and all of the evidence regardless of who introduced it.

§ 441.37A(3)(a); *see also Hy-Vee, Inc. v. Employment Appeal Bd.*, 710 N.W.2d 1, 3 (Iowa 2005). There is no presumption that the assessed value is correct.

§ 441.37A(3)(a). However, the taxpayer has the burden of proof. § 441.21(3). This burden may be shifted; but even if it is not, the taxpayer may still prevail based on a preponderance of the evidence. *Id.*; *Richards v. Hardin County Bd. of Review*, 393 N.W.2d 148, 151 (Iowa 1986).

In Iowa, property is to be valued at its actual value. Iowa Code § 441.21(1)(a). Actual value is the property's fair and reasonable market value. § 441.21(1)(b). Market value essentially is defined as the value established in an arm's-length sale of the property. *Id.* Sale prices of the property or comparable properties in normal transactions are to be considered in arriving at market value. *Id.* If sales are not available to determine market value then "other factors," such as income and/or cost, may be considered. § 441.21(2).

To prove inequity, a taxpayer may show that an assessor did not apply an assessing method uniformly to similarly situated or comparable properties. *Eagle Food*

Centers v. Bd. of Review of the City of Davenport, 497 N.W.2d 860, 865 (Iowa 1993).

Alternatively, a taxpayer may show the property is assessed higher proportionately than other like property using criteria set forth in *Maxwell v. Shivers*, 257 Iowa 575, 133 N.W.2d 709 (Iowa 1965). The six criteria include evidence showing

“(1) that there are several other properties within a reasonable area similar and comparable . . . (2) the amount of the assessments on those properties, (3) the actual value of the comparable properties, (4) the actual value of the [subject] property, (5) the assessment complained of, and (6) that by a comparison [the] property is assessed at a higher proportion of its actual value than the ratio existing between the assessed and the actual valuations of the similar and comparable properties, thus creating a discrimination.”

Id. at 711. The *Maxwell* test provides that inequity exists when, after considering the actual and assessed values of comparable properties, the subject property is assessed at a higher proportion of this actual value. *Id.* The *Maxwell* test may have limited applicability now that current Iowa law requires assessments to be at one hundred percent of market value. § 441.21(1). Nevertheless, in some rare instances, the test may be satisfied.

Pearson offered forty-three properties he considered comparable to his for an equity analysis. All of the properties are located in the same general area or competing subdivisions. However, many are one-story homes; lack any basement finish; or are older properties compared to the subject. Moreover, all have lower quality grades compared to the subject.

Pearson argues that his property has a higher assessment per-square-foot when comparing the total finished area of his property to the properties he submitted as comparable. However, this type of comparison is insufficient evidence for an equity claim, and we give it no consideration.

We note that three of the properties, including the subject, sold in 2014. Although the properties have lower grades and some are one-story homes, the assessment/sales ratio generally indicates assessments in the subject’s market area are less than market value. Pearson’s property is assessed for less than the price for which he purchased it just a few months prior to the assessment.

Based on the foregoing, we find Pearson has submitted insufficient evidence to support his claim that the subject property's assessment is inequitable.

Order

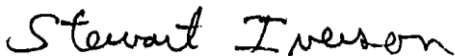
IT IS THEREFORE ORDERED that the Madison County Board of Review's action is affirmed.

This Order shall be considered final agency action for the purposes of Iowa Code Chapter 17A (2015). Any application for reconsideration or rehearing shall be filed with PAAB within 20 days of the date of this Order and comply with the requirements of PAAB administrative rules. Such application will stay the period for filing a judicial review action. Any judicial action challenging this Order shall be filed in the district court where the property is located within 20 days of the date of this Order and comply with the requirements of Iowa Code sections 441.38; 441.38B, 441.39; and Chapter 17A.

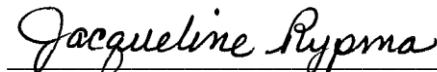
Dated this 18th day of February, 2016.



Karen Oberman, Presiding Officer



Stewart Iverson, Board Chair



Jacqueline Rypma, Board Member

Copies to:

James Pearson

Matt Schultz